



# U.S.-Korea Trade Agreement What's At Stake for Vegetables?

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The U.S.-Korea Trade Agreement (KORUS agreement) will provide America's farmers, ranchers, food processors, and the businesses they support with improved access to the Republic of Korea's \$1 trillion economy and 49 million consumers. Under the agreement, nearly two-thirds of current U.S. agricultural exports will become duty free immediately and lower tariffs will benefit both U.S. suppliers and Korean consumers.

The KORUS agreement will help the United States compete against Korea's other major agriculture suppliers and keep the United States on a level playing field with Korea's current and future trade partners. Korea finalized its trade agreement with the European Union in October 2009 and presently has trade agreements in place with Chile, India, and the 10-country ASEAN group. In addition, the country is negotiating new trade agreements with Canada, Australia, New Zealand, and China. Most of these countries are U.S. competitors.

If the United States fails to implement the KORUS agreement, it will likely see its share of Korea's total agricultural imports, which stood at nearly 30 percent in 2009, steadily erode.

## **Frozen Sweet Corn**

*With the Agreement...*

The current 30-percent tariff on frozen sweet corn will be eliminated within 5 years.

*The Trade Situation...*

Korea is an important import market for U.S. frozen sweet corn. From 2007 through 2009, U.S. suppliers shipped on average 410 tons a year of frozen sweet corn to Korea valued at \$457,000. The United States is Korea's largest supplier with an 85-percent share of the market from 2007 to 2009.

*The Current Market Access Situation...*

Although U.S. frozen sweet corn is currently subject to a 30-percent tariff, Korea's World Trade Organization (WTO) bound duty is 54 percent. Under the trade agreement, Korea will not be able to increase the tariff for U.S. imports from the current levels up to the WTO-bound level.

## **Asparagus, Carrots, and Onions**

*With the Agreement...*

Fresh asparagus will be duty free upon implementation of the agreement. The 30-percent tariff on fresh carrots will be phased out in 5 years.

For onions, the KORUS agreement establishes a 2,904-ton safeguard in the first year that increases to 5,808 tons in the 15<sup>th</sup> year, subject to a 50-percent duty. Quantities over the safeguard amount are

initially subject to an over-safeguard duty of 135 percent that expires in the 19<sup>th</sup> year. At that time, all quantities enter duty free.

*The Trade Situation...*

Korea is an important market for U.S. asparagus and the United States is the fourth largest supplier to Korea with an 8-percent average market share from 2007 to 2009. During this period, the United States shipped an annual average of 7 tons valued at \$36,000. Korea is also an important market for U.S. onions. From 2007 through 2009, U.S. suppliers shipped on average 324 tons a year of onions to Korea valued at \$183,000. Korea imports onions in years when the domestic industry cannot meet demand. Import levels vary widely from year-to-year depending upon the size of the local crop.

*The Current Market Access Situation...*

U.S. asparagus is subject to a 27-percent tariff and carrots are subject to a 30-percent tariff. Imports of onions are subject to a global WTO tariff-rate quota (TRQ) of 20,645 tons at an applied duty of 50 percent and a 135-percent out-of-quota (bound) duty.

**Lettuce**

*With the Agreement...*

The 45-percent tariff on fresh lettuce will be eliminated in 10 years. The KORUS agreement should help U.S. producers maintain their position as the top supplier of lettuce to Korea.

*The Trade Situation...*

As of 2009, Korea was the ninth largest market for U.S. lettuce. From 2007 through 2009, U.S. suppliers shipped an annual average of 1,519 tons of lettuce to Korea valued at approximately \$1.3 million. The U.S. share of Korea's growing import market for lettuce dropped to 28 percent in 2009, as a result of strong competition from China. China supplied 64 percent of the import market in 2009.

*The Current Market Access Situation...*

U.S. lettuce is subject to a 45-percent applied duty.

**Peas**

*With the Agreement...*

The KORUS agreement will lock in the duty-free access being enjoyed by U.S. feed-use pea exporters. The 27-percent tariff on seed peas will be phased out over 5 years. For all other peas, except those for feed use or for seed, the tariff will be phased out over 10 years.

*The Trade Situation...*

From 2007 through 2009, U.S. suppliers shipped an annual average of 4,644 tons of dry peas valued at \$1.8 million. The U.S. share of Korea's import market has averaged 71 percent and has fluctuated in recent years due to emerging competition from Canada. The trade agreement should help keep the United States on top in this competitive market.

*The Current Market Access Situation...*

U.S. dry peas enter Korea duty free under an autonomous TRQ of 450,000 tons. The out-of quota tariff is 27 percent. U.S. fresh and frozen peas trade under a 27-percent tariff. U.S. prepared or preserved peas trade under a 20-percent tariff.

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